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COLLECTION

FINANCIAL REGULATIONS AND FINANCIAL RULES

Intersessional working group on proposed amendments to the financial regulations

Report of the Chairman
(H.E. Mr. F. Mayrhofer-Grünbühel, Austria)

Summary

Reports on the work of the intersessional working group between the sixteenth and eighteenth sessions of the Industrial Development Board.

1. In its decision IDB.16/Dec.9, the Board took note of documents IDB.16/6 and Add.1 as well as the views expressed by delegations during the twelfth session of the Programme and Budget Committee and decided to establish an informal intersessional working group, open to all interested delegations, to be chaired by a representative of the Member States, with the task of studying proposed amendments to the financial regulations. In that decision, the informal working group was requested to submit a report to the Industrial Development Board at its seventeenth session, through the Programme and Budget Committee. However, owing to holding the seventh special session of the Board in April 1997 and the consequent rescheduling of the thirteenth session of the Committee, the present report is submitted to the eighteenth session of the Board through the thirteenth session of the Committee.

2. The working group held one meeting, on 17 December 1996. Agreement was reached on the proposed amendments in respect of a number of financial regulations as contained in documents IDB.16/6 and Add.1 (see annex to the present document). However, in consideration of developments relating to the present circumstances of the Organization, there was general acceptance that consideration of further revisions to the financial regulations should be undertaken subsequent to the thirteenth session of the Programme and Budget Committee in September 1997. The present document was circulated to Member States under cover of a

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note verbale on 25 July 1997, in which comments and an indication of agreement on the proposed changes to the financial regulations were solicited. Those comments have been duly reflected in, and Member States have indicated their agreement with, the content of the present document.

ACTION REQUIRED OF THE COMMITTEE

3. In the interest of improving the financial administration and reporting requirements of the Organization through introducing revisions to the financial regulations agreed by the working group, it is proposed that those financial regulations (see annex) be recommended by the Programme and Budget Committee for submission to the Industrial Development Board at its eighteenth session. Subsequently, the adopted financial regulations would be submitted to the General Conference at its seventh session for approval in accordance with Article 8.3(c) of the Constitution.

4. Owing to the importance of the remaining outstanding issues concerning proposed amendments to the financial regulations, consideration might be given to extending the mandate of the working group with a view to resolving those issues at an appropriate time.

Annex

PRESENT FINANCIAL REGULATIONS AS AGREED IN THE INTERSESSIONAL WORKING GROUP ON FINANCIAL REGULATIONS

Regulation	Current regulation	Proposals of the working group
3.4(a)	The regular budget shall be divided into programmes and subprogrammes for expenditure as well as into sections for income. It shall also be presented by major objects of expenditure. It shall be accompanied by such information annexes and explanatory statements as may be requested by the General Conference (hereinafter referred to as the "Conference"), the Board or the Programme and Budget Committee, as well as such annexes as the Director-General may deem necessary or useful. The regular budget also shall be accompanied by a statement on the main changes in comparison with the previous biennium.	3.4(a) The regular budget shall be divided into major programmes, programmes and subprogrammes for expenditure as well as into sections for income. It shall also be presented by major objects of expenditure. It shall be accompanied by such information annexes and explanatory statements as may be requested by the General Conference (hereinafter referred to as the "Conference"), the Board or the Programme and Budget Committee as well as such annexes as the Director-General may deem necessary or useful. The regular budget also shall be accompanied by a statement on the main changes in comparison with the previous biennium.
3.4(b)	The operational budget shall show the expected income and expenditures in respect of voluntary contributions to the Industrial Development Fund, in respect of such trust funds, reserve and special accounts as have been or may be established by the Director-General and in respect of support costs of technical assistance activities. It shall be accompanied by such information annexes and explanatory statements as may be requested by the Conference, the Board or the Programme and Budget Committee, as well as such annexes as the Director-General may deem necessary or useful.	3.4(b) Unchanged.
4.2(a)	Regular budget appropriations shall be available for obligation during the fiscal period to which they relate.	4.2(a) Unchanged
4.2(b)	Regular budget appropriations shall remain available for twelve months following the end of the fiscal period to which they relate, to the extent that they are required to discharge obligations in respect of goods supplied and services rendered during that fiscal period and to liquidate any other outstanding obligation of that fiscal period. The unencumbered balance of the appropriations at the end of a fiscal period shall be surrendered to the Members at the end of the first calendar year following the fiscal period after deducting therefrom any contributions from Members relating to that fiscal period which remain unpaid, and shall be credited to the Members in proportion to their assessed contributions in accordance with the provision of Financial Regulations 4.2(c) and 5.2(d).	4.2(b) Subject to further discussion.

Regulation	Current regulation	Proposals of the working group
4.2(c)	At the end of the twelve-month period referred to in subparagraph (b) above, the then remaining balance of any regular budget appropriations retained shall be reported in detail by the Director-General to the External Auditor for examination and review and, after deducting therefrom any contributions from Members relating to the fiscal period of the appropriations which remain unpaid, shall be surrendered to the Members in proportion to their assessed contributions at the end of the second calendar year following the fiscal period to which the appropriations relate, provided, however, that before the respective share of the balance is surrendered to any Member that has outstanding regular budget obligations to the Organization, those obligations shall first be brought to account. Any unliquidated regular budget obligation of the fiscal period in question shall at that time either be cancelled or, where the obligation remains a valid charge, transferred as an obligation against the current appropriations.	4.2(c) Subject to further discussion.
4.3(a)	No transfer of expenditures shall take place between the regular budget and the operational budget.	4.3(c) Unchanged.
4.3(b)	No transfer between major objects of expenditure within the regular budget may take place, except when approved by the Conference in accordance with Regulation 3.11.	4.3(b) Subject to further discussion.
4.3(c)	Transfers within major objects of expenditure of the regular budget may be made by the Director-General, who shall inform the Board, through the Programme and Budget Committee, and the Conference thereof as soon as possible, provided that in the first fiscal period following its creation, a professional-level post may not be transferred to another programme or subprogramme.	4.3(c) Subject to further discussion.
5.1(a)	The appropriations approved for regular budget expenditures, subject to the adjustments effected in accordance with the provisions of Regulation 5.2, shall be financed by mandatory contributions from the Members in accordance with a scale of assessments established by the Conference as provided in Article 15 of the Constitution.	5.1(a) Unchanged.
5.1(b)	Pending the receipt of such contributions, the appropriations may be financed from the working capital Fund.	5.1(b) Unchanged.
5.1(c)	For each of the two years of the fiscal period, Members shall contribute one half to the total approved amount.	5.1(c) Unchanged.

Regulation	Current regulation	Proposals of the working group
5.1(d)	Each assessment shall be established in a component in United States dollars and the remainder in Austrian schillings in direct proportion to the respective shares of regular budget expenditures determined by the Conference, upon recommendation of the Director-General, to be linked to these two currencies. The initial assessment in Austrian schillings shall be established at the United Nations accounting rate of exchange in effect at the time the regular budget is adopted by the Conference.	5.1(d) Each assessment shall be established in a component in United States dollars and the remainder in Austrian schillings in direct proportion to the respective shares of regular budget expenditures determined by the Conference, to be linked to these two currencies.
5.2	For each of the two years of the fiscal period the assessment of Members shall be adjusted in respect of:	5.2 Unchanged.
(a)	Supplementary appropriations for which contributions have not yet been assessed;	5.2(a) Unchanged.
(b)	Half of the estimated miscellaneous income to the regular budget for the fiscal period, for which credits have not previously been taken into account, and adjustments in estimated miscellaneous income previously taken into account;	5.2(b) Half of the estimated miscellaneous income to the regular budget for the fiscal period and credits in respect of income not previously taken into account.
(c)	Contributions resulting from the assessment of new Members as provided in Financial Regulation 5.6;	5.2(c) Unchanged.
(d)	Any balance of the appropriations surrendered to Members under Financial Regulations 4.2(b) and (c).	5.2(d) Subject to further discussion.
10.1(a)	There shall be a General Fund for the purpose of accounting for those expenditures of the Organization, which are to be financed from the regular budget.	10.1(a) Unchanged.
10.1(b)	To the General Fund shall be credited:	10.1(b) Unchanged.
(i)	The contributions to the regular budget paid by members pursuant to Financial Regulation 5.1;	10.1(b)(i) Unchanged.
(ii)	Any advances made from the Working Capital Fund to finance expenditures of the regular budget;	10.1(b)(ii) Unchanged.
(iii)	Revenue derived from the Staff Assessment Plan;	10.1(b)(iii) Deleted.
(iv)	Miscellaneous income to the regular budget including income from investment of the Working Capital Fund and the General Fund, proceeds from the provision or rental of goods or services, or adjustments arising subsequent to the closing of an operational budget account such as a trust fund, special account, project, etc.	10.1(b)(iii) Miscellaneous income to the regular budget including income from investment of the Working Capital Fund and the General Fund, proceeds from the provision or rental of goods or services, or adjustments arising subsequent to the closing of an operational budget account such as a trust fund, special account, project, etc.

Regulation	Current regulation	Proposals of the working group
10.2(a)	The Director-General shall establish such accounts and maintain such accounting records as are necessary.	10.2(a) The Director-General shall establish such accounts and maintain such accounting records as are necessary, giving due consideration to the United Nations accounting standards.
10.2(b)	The Director-General shall prepare and submit final accounts for each fiscal period showing its status of appropriations, including: (i) The original budget appropriations; (ii) Any supplementary appropriations; (iii) The appropriations as modified by any transfers; (iv) Credits, if any, other than the appropriations voted by the Conference; (v) The amounts charged against those appropriations and/or other credits.	10.2(b) Unchanged.
10.2(c)	The Director-General also shall prepare and submit:	10.2(c) Unchanged.
	(i) A statement showing the assets and liabilities of the Organization at the close of the fiscal period;	10.2(c)(i) A statement of income and expenditure and changes in reserves and fund balances;
	(ii) An analysis of the financial situation of the Organization at the close of the fiscal period;	10.2(c)(ii) A statement of assets, liabilities, and reserves and fund balances;
	(iii) Such other information as may be appropriate.	10.2(c)(iii) A statement of cash flow; 10.2(c)(iv) A statement of appropriations by major programme; 10.2(c)(v) An analysis of the financial situation of the Organization at the close of the fiscal period; 10.2(c)(vi) Such other information as may be appropriate.